Report on the

Lawrence County
Board of Education

Lawrence County, Alabama

October 1, 2019 through September 30, 2020

Filed: August 27, 2021

Department of
Examiners of Public Accounts

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Rachel Laurie Riddle, Chief Examiner

21-368

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Rachel Laurie Riddle
Chief Examiner

Honorable Rachel Laurie Riddle
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Madam:

An audit was conducted on the Lawrence County Board of Education, Lawrence County, Alabama, for the period October 1, 2019 through September 30, 2020, by Examiners Briana Hannah and Jacob Perdue. I, Briana Hannah, served as Examiner-in-Charge on the engagement, and under the authority of the ***Code of Alabama 1975***, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

Briana Hannah
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

Lawrence County Board of Education
October 1, 2019 through September 30, 2020

The Lawrence County Board of Education (the "Board") is governed by a five-member body elected by the citizens of Lawrence County. The members and administrative personnel in charge of governance of the Board are listed in Exhibit 14. The Board is the governmental agency that provides general administration and supervision for Lawrence County public schools, preschool through high school.

This report presents the results of an audit the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Board complied with applicable laws and regulations, including those applicable to its major federal financial assistance programs. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, as well as the requirements of the Department of Examiners of Public Accounts under the authority of the ***Code of Alabama 1975***, Section 41-5A-12.

An unmodified opinion was issued on the financial statements, which means that the Board's financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2020.

Tests performed during the audit did not disclose any significant instances of noncompliance with applicable state and local laws and regulations.

EXIT CONFERENCE

Board Members and administrative personnel, as reflected on Exhibit 14, were invited to discuss the results of this report at an exit conference. Individuals in attendance were: Superintendent: Jon Bret Smith; Chief School Financial Officer: Suzy Berryman; and Board Members: Christine Garner, Shanon Terry, and Reta Waldrep. Also in attendance were representatives from the Department of Examiners of Publics Accounts: Denise H. Olive, Audit Manager; and Jacob Perdue, Examiner.

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Independent Auditor’s Report

Independent Auditor's Report

Members of the Lawrence County Board of Education,
Superintendent and Chief School Financial Officer
Moulton, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lawrence County Board of Education, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Lawrence County Board of Education's basic financial statements as listed in the table of contents as Exhibits 1 through 6.

Management's Responsibility for the Financial Statements

The management of the Lawrence County Board of Education is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lawrence County Board of Education, as of September 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of the Employer's Proportionate Share of the Collective Net Pension Liability, the Schedule of the Employer's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability, the Schedules of the Employer's Contributions, and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 7 through 12), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lawrence County Board of Education's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 13), as required by Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*** (*Uniform Guidance*), is presented for the purposes of additional analysis, and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated August 2, 2021, on our consideration of the Lawrence County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lawrence County Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the Lawrence County Board of Education's internal control over financial reporting and compliance.

Rachel Laurie Riddle

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

August 2, 2021

Management's Discussion and Analysis (Required Supplementary Information)

Lawrence County Board of Education
Management's Discussion and Analysis (MD&A)
September 30, 2020

Our discussion and analysis of the Lawrence County Board of Education's (the "Board's") financial performance provides an overview of the Board's financial activities for the fiscal year ended September 30, 2020. Please read it in conjunction with the Board's financial statements and notes to the financial statements, which immediately follow this analysis.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement Number 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999. Certain comparative information between the current year and prior year is required to be presented in the MD&A.

Financial Highlights: Significant Items to Note

Our financial statements provide these insights into the results of this year's operations:

- The liabilities and deferred inflows of resources of the Board exceeded its assets and deferred outflows of resources at the close of the 2020 fiscal year by $42,837,377.71. Of this amount, $19,319,640.91 was net investment in capital assets, $5,600,561.99 was restricted for payment of bond debts, capital projects, and other purposes, leaving an unrestricted net position of ($67,757,580.61).
- The total cost of the Board's programs for the year, not including debt service and capital outlay, was $50,480,830.99. The state Foundation Program provided $26,439,300 of that amount. Local money, in the amount of $2,664,540 was included as required by the 10 mill match. The 10 mill match is local tax revenues which are required to be coded as state revenues.

Using the Financial Statements – An Overview for the User

As a result of the implementation of the GASB Statement Number 34 reporting model, the financial section of this year's annual report for the Board now consists of five parts – *management's discussion and analysis* (this section), the *independent auditors' report*, the *basic financial statements*, *required supplementary information*, and *other supplementary information*.

The Board's basic financial statements are comprised of three components 1) *government-wide financial statements*, 2) *fund financial statements*, and 3) *notes to the basic financial statements*.

***Government-wide financial statements* –** Perhaps the most notable feature of the model is the requirement for government-wide financial statements. The focus of these statements is to provide readers with a broad overview of the Board's finances as a whole instead of on an individual fund basis, in a manner similar to a private-sector business, indicating both long-term and short-term information about the Board's overall financial status. It is important to note that all of the activities of the Board reported in the government-wide financial statements are classified as governmental activities. These activities include the following:

Instruction includes teacher salaries and benefits, teacher aides, substitute teachers, textbooks, depreciation of instructional buildings, professional development, and classroom instructional materials, supplies and equipment.

Instructional support includes salaries and benefits for school principals, assistant principals, librarians, counselors, school secretaries, school bookkeepers, speech therapists, school social workers, school nurses, and professional development expenses.

Operation and maintenance includes utilities, security services, janitorial services, maintenance services, and depreciation of maintenance vehicles.

Auxiliary services includes student transportation expenses, such as bus driver salaries and benefits, mechanics, bus aides, vehicle maintenance and repair expenses, vehicle fuel, depreciation of buses and bus shops, and fleet insurance. Also included are food service expenses such as lunchroom managers, cooks, cashiers and servers' salaries and benefits as well as donated and purchased food, food preparation and service supplies, kitchen and lunchroom equipment and depreciation of food service equipment and facilities.

General administration and central office support includes salaries and benefits for the superintendent, assistants, clerical and financial staff, curriculum staff, and other personnel that provide system-wide support for the schools. Also included are legal expenses, liability insurance, training for board members and general administrative staff, printing costs, and depreciation of central office equipment and facilities.

Interest and fiscal charges include interest, but not principal payments, on long-term debt issues and other expenses related to the issuance and continuance of debt issues.

Other includes the salaries and benefits for adult and continuing education teachers, preschool teachers and aides, extended day personnel, and community education instructors. Also included are the materials, supplies, equipment, related depreciation, and other expenses for operating programs outside of those for educating students in the kindergarten through 12th grade instructional programs.

Government-wide financial statements report the capitalization of capital assets and depreciation of all exhaustible capital assets and the outstanding balances of long-term debt and other obligations, which has not been the case in the past. These statements report all assets and liabilities perpetuated by these activities using the accrual basis of accounting. The accrual basis takes into account all of the Board's current year revenues and expenses regardless of when received or paid. This approach moves the financial reporting method for governmental entities closer to the financial reporting methods used in the private sector. The following *government-wide financial statements* report on all of the governmental activities of the Board as a whole.

The S*tatement of Net Position* (on Exhibit #1) is most closely related to a balance sheet. It presents information on all the Board's assets and deferred outflows of resources (what it owns), liabilities and deferred inflows of resources (what it owes), with the difference between the two reported as net position. The net position reported in this statement represents the accumulation of changes in net position for the current fiscal year and all fiscal years in the past combined. Over time, the increases or decreases in net position reported in this statement may serve as a useful indicator of whether the financial position of the school board is improving or deteriorating.

The *Statement of Activities* (on Exhibit #2) is most closely related to an income statement. It presents information showing how the Board's net position changed during the current fiscal year only. All of the current year's revenues and expenses are accounted for in the *statement of activities* regardless of when the cash is received or paid. This statement shows gross expenses and offsetting program revenues to arrive at net cost information for each major expense function or activity of the Board. By showing the change in net position for the year, the reader may be able to determine whether the Board's financial position has improved or deteriorated over the course of the current fiscal year. The change in net position may be financial or non-financial in nature. Non-financial factors which may have an impact on the Board's financial condition include: age and condition of facilities, mandated educational programs for which little or no funding is provided, and increases or decreases in funding from state and federal governments, to name a few.

Fund financial statements **–** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The new reporting model still requires the Board to present financial statements on a fund basis, but with some modifications. All of the funds of the Board can be classified into one category: governmental funds.

Governmental Funds **–** Governmental fund financial statements begin on Exhibit #3. These statements account for basically the same governmental activities reported in the *government-wide financial statements*. Until now, fund information has been reported in the aggregate by type of fund. As required under the GASB Statement Number 34 reporting model, the fund financial statements presented herein display information on each of the Board's most important governmental funds or major funds. This is required in order to better assess the Board's accountability for significant governmental programs or certain dedicated revenue. The Board's major funds are the General Fund, Special Revenue Fund, and the Debt Service Fund.

The fund financial statements are still measured on the modified-accrual basis of accounting as reported in the previous fiscal years, where revenues and expenditures are recorded when they become measurable and available. As a result, the fund financial statements focus more on the near-term use and availability of spendable resources. The information provided in these statements is useful in determining the Board's immediate financial needs. This is in contrast to the accrual-based *government-wide financial statements*, which focus more on overall long-term availability of spendable resources.

The relationship between governmental activities reported in the *government-wide financial statement* and the governmental funds reported in the fund financial statement are reconciled on Exhibit #4 and Exhibit #6 of these financial statements. These reconciliations are useful to readers in understanding the long-term impact of the Board's short-term financial decisions

***Notes to the Basic Financial Statements* –** The *notes to the basic financial statements* provide additional information that is essential for the statements to fairly represent the Board's financial position and its operations. The notes contain important information that is not part of the basic financial statements. However, the notes are an integral part of the statements, not an appendage to them. The *notes to the basic financial statements* begin following this section.

After the presentation of the basic financial statements, the reporting model requires additional *required supplementary information* to be presented following the *notes to the basic financial statements*. The *required supplementary information* on Exhibits #11 and #12 provides a comparison of the original adopted budget to the final amended budget of the Board's General Fund and the Special Revenue Fund, which is then further compared to the actual operating results for the fiscal year. The comparison of this data allows users to assess management's ability to project and plan for its operations throughout the year.

Financial Analysis of the Board as a Whole

As indicated earlier, net position may serve over time as a useful indicator of a government's financial position. Refer to Table 1 when reading the following analysis of net position.

- The Board's liabilities plus deferred inflows of resources exceeded assets plus deferred outflows of resources by $46,192,249.67 at September 30, 2019, and $42,837,377.71 at September 30, 2020. Of these amounts, $19.3 million at September 30, 2019 and $19.3 million at September 30, 2020, reflects the Board's net investment in capital assets. Since these capital assets represent investment in land, buildings, school buses, furniture and equipment, this portion of net position is not available for future spending or funding of operations.

- Restricted net position is reported separately to show the external legal constraints from debt covenants and enabling legislation that limit the Board's ability to use this net position for day-to-day operations. Approximately $3.5 million is restricted for debt service, $1 million for capital projects, and $1.2 million for other purposes at September 30, 2020, as opposed to September 30, 2019, which showed approximately $3.1 million restricted for debt service, $1 million for capital projects and $1.1 million for other purposes.

- Unrestricted net position has a deficit balance of $67.8 million at September 30, 2020, as compared to September 30, 2019, which showed a deficit balance of $70.6 million.

Table 1: Summary of Net Position

As of September 30, 2019 and 2020

(in millions)

	2019 Governmental Activities	2020 Governmental Activities	2020 Percent of Total
Current Assets	$ 17.59	$ 18.69	30%
Noncurrent Assets	46.22	44.23	70%
Total Assets	63.81	62.92	100%
Deferred Outflows of Resources	8.77	10.74	100%
Current Liabilities	4.19	4.21	5%
Noncurrent Liabilities	103.40	83.44	95%
Total Liabilities	107.59	87.65	100%
Deferred Inflows of Resources	11.18	28.85	100%
Net Position:			
Net Investment in Capital Assets	19.33	19.32	45%
Restricted – Capital Projects	.85	.90	2%
Restricted – Debt Service	3.11	3.46	8%
Restricted – Other Purposes	1.13	1.24	3%
Unrestricted	(70.61)	(67.76)	(158)%
Total Net Position	$(46.19)	$(42.84)	100%

At the end of the current year, the Board is able to report a positive balance in two categories of net position: net investment in capital assets and restricted and a negative balance in unrestricted.

The results of this year's operations as a whole are reported in detail in the Statement of Activities on Exhibit #2.

Table 2: Summary of Changes in Net Position From Operating Results

Fiscal Year Ended September 30, 2019 and 2020
(in millions)

	2019 Governmental Activities	2020 Governmental Activities	2020 Percent of Total
Revenues			
Program Revenues:			
Charges for Services	$ 5.29	$ 4.27	7.93%
Operating Grants and Contributions	36.07	37.97	70.54%
Capital Grants and Contributions	1.81	1.99	3.70%
General Revenues:			
Property Taxes for General Purposes	2.45	2.46	4.57%
Sales and Use Tax – General	4.92	5.53	10.27%
Miscellaneous Taxes	0.04	0.04	0.07%
Grants and contributions Not Restricted for Specific Purposes	0.03	0.16	0.30%
Interest	0.19	0.16	0.30%
TVA in Lieu of Taxes	0.29	0.29	0.54%
Gain on Disposition of Capital Assets	0.05	0.00	0.00%
Miscellaneous	1.29	0.96	1.78%
Total Revenues	52.43	53.83	100%
Expenses			
Governmental Activities:			
Instruction	27.01	26.76	53.01%
Instructional Support	8.08	8.17	16.19%
Operation and Maintenance	4.18	4.28	8.48%
Auxiliary Services:			
Food Service	4.08	3.54	7.01%
Transportation	4.21	3.74	7.41%
General Administrative and Central Support	1.37	1.64	3.25%
Other	1.72	1.56	3.09%
Interest on Long-Term Debt	0.85	0.79	1.56%
Total Expenses	51.50	50.48	100%
Increase in Net Position	**0.93**	**3.35**	
Net Position – Beginning of Year	**(47.12)**	**(46.19)**	
Net Position – End of Year	**$(46.19)**	**$(42.84)**	

The Board’s net position increased by $3.35 million during the current fiscal year.

Governmental Activities – As shown in *Table 2*, the cost of services rendered from the Board's governmental activities for the year ended September 30, 2020, was $50.48 million. It is important to note that not all of these costs were borne by the taxpayers of Lawrence County Schools.

- Some of the cost, $4.27 million, was paid by users who benefited from services provided during the year, such as school lunches, summer school, and participation in sports activities in the middle and high schools.
- State and federal governments subsidized certain programs with grants and contributions totaling $37.97 million.
- Other program revenue sources, such as capital grants, donations, etc. provided $1.99 million in revenues.

Table 3 is a condensed statement taken from the *Statement of Activities* showing the total cost for providing identified services for six major Board activities. Total cost of services is compared to the net cost of providing these services. The net cost of services is the remaining cost of services after subtracting grants and charges for services that the Board used to offset the program's total cost. In other words, the net cost shows the financial burden that was placed on all taxpayers for each of these activities. This information allows citizens to consider the cost of each program in comparison to the benefits they believe are provided.

Table 3: Net Cost of Governmental Activities

Fiscal Year Ended September 30, 2020

(in millions)

	2020 Total Cost of Services	2020 Net Cost of Services
Instruction	$26.76	$(2.29)
Instructional Support	8.17	(0.90)
Operation and Maintenance	4.28	(1.04)
Auxiliary Services:		
Food Service	3.54	(.58)
Transportation	3.74	.24
General Administrative and Central Support	1.64	(.58)
Other	1.56	(.31)
Interest on Long-Term Debt	.79	(.79)
Total Expenses	**$50.48**	**$(6.25)**

Financial Analysis of School Board Funds

As noted earlier, the Board uses fund accounting to control and manage resources in order to ensure compliance with finance-related legal requirements. Using funds to account for resources for particular purposes helps the reader to determine whether the Board is being accountable for the resources provided by taxpayers and other entities, and it may also help to provide more insight into the Board's overall financial health. The following analysis of the Board's funds should be read in reference to the fund financial statements.

Governmental Funds – The focus of the Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financial requirements. The financial performance of the Board as a whole is reflected in its governmental funds as well. At the end of the fiscal year, the Board's governmental funds reported combined ending fund balances of approximately $12.43 million.

- Approximately $3.64 million of this amount constitutes a positive fund balance of the Debt Service Fund.
- Approximately $0.90 million of this amount constitutes a positive fund balance of the Capital Projects Fund.
- Approximately $2.56 million of this amount constitutes a positive fund balance of the Special Revenue Fund.
- Approximately $5.34 million of this constitutes a positive balance in the unassigned fund balance in the general fund.

General Fund – The general fund is the primary operating fund of the Board. There was a positive net change in fund balance of $623 thousand.

Special Revenue Fund – The special revenue fund allows the Board to separately account for revenues and expenditures for our school lunch and school breakfast programs, and federal programs. There was a positive net change of $86 thousand in fund balance.

Capital Projects Fund – The capital projects funds allows the Board to maintain the current building structures by improvements and to build additional structures that are needed in the school system.

Debt Service Fund – The debt service fund is for the accumulation of resources for debt service requirements.

Capital Asset and Debt Administration

Capital Assets

As of September 30, 2020, the Board had invested $81.99 million in a broad range of capital assets, including land, buildings, school furniture, school buses, instructional equipment, computer hardware and software, maintenance vehicles, custodial equipment, and athletic equipment. Table 4 provides additional information on these assets.

Table 4: Capital Assets
Fiscal Year Ended September 30, 2020
(in millions)

	Governmental Activities
Land and Land Improvements	$ 5.62
Construction in Progress	0.12
Buildings and Improvements	63.67
Equipment and Vehicles	12.58
Total Capital Assets	81.99
Less: Accumulated Depreciation	(37.76)
Total Capital Assets Less Depreciation	**$ 44.23**

Long-Term Debt

At year-end, the Board had $83.44 million in long-term debt payable, a decrease of $19.96 million. Table 5 provides a synopsis of the Boards activities with respect to long-term debt.

Table 5: Long-Term Debt
Fiscal Year Ended September 30, 2020
(in millions)

	Principal Balance 10/01/2019	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2020	Amounts Due Within One Year
Governmental Activities:					
Warrants Payable:					
School Tax Refunding Warrants,					
Series 2009D	$ 1.77	$	$(0.43)	$ 1.34	$0.43
Pool Refunding Warrants,					
Series 2012A	1.34		(0.36)	0.98	0.38
Capital Outlay Pool Warrant,					
Series 2009-QSCB	4.80			4.80	
School Tax Refunding Warrants,					
Series 2011	3.53		(0.13)	3.40	0.14
PSCA Pool Refunding Warrants,					
Series 2015B	1.47		(0.13)	1.34	0.13
School Tax Warrants, Series 2015-A	9.99		(0.30)	9.69	0.33
School Tax Warrants, Series 2016	1.27		(0.19)	1.08	0.21
Sub-Total Warrants Payable	24.17		(1.54)	22.63	1.62
Deferred Amounts:					
Unamortized Premium	0.38		(0.08)	0.30	0.08
Unamortized Discount	(0.01)			(0.01)	
Total Warrants Payable	24.54		(1.62)	22.92	1.70
Other Liabilities:					
Capital Leases	0.69		(0.22)	0.47	0.22
Secured Equipment Financing Agreement	1.69		(0.15)	1.54	0.16
Net Pension Liability	36.67	2.68		39.35	
Net OPEB Liability	39.63		(20.71)	18.92	
Estimated Liability for Compensated Absences	0.18	0.06		0.24	
Total Other Liabilities	78.86	2.74	(21.08)	60.52	0.38
Total Governmental Activities					
Long-Term Liabilities	$103.40	$2.74	$(22.70)	$83.44	$2.08

Budgetary Highlights of Major Funds

On or before October 1 of each year, the Board is mandated by state law to prepare and submit to the State Superintendent of Education the annual budget adopted by the Board. The State Department of Education normally requires such budgets to be submitted by August 15 of each year. The State Department of Education has since changed the budget deadline to September 15th. The fiscal year 2020 budget was adopted by the Board on September 11, 2019. Over the course of the year, the Board revised the annual operating budget to adjust some program expenses and to include certain federal grants that were not available at the time of the original budget approval.

Economic Factors and Next Year's Budget

The following are currently known Lawrence County economic factors considered as we move into the 2020-2021 school year.

- The property tax base in Lawrence County has remained constant in assessed value of property in the county for the 2020-2021 school year.

- Student enrollment continues to decline. This means a loss in the number of state funded teacher units for the system as well as the loss of additional state funds. The 40 day average daily membership data is as follows:

2019-2020 enrollment	4,552	down 26 students
2018-2019 enrollment	4,578	down 76 students
2017-2018 enrollment	4,654	down 76 students
2016-2017 enrollment	4,730	down 27 students
2015-2016 enrollment	4,757	down 181 students
2014-2015 enrollment	4,938	down 52 students

- Medical costs remained constant and retirement costs increased slightly for fiscal year 2020. Known and projected costs are listed below:

Fiscal Year	Retirement Percentage	Insurance Per Month
2015	11.71%	$780.00
2016	11.94%	$780.00
2017	12.01%	$800.00
2018	12.24%	$800.00
2019	12.41%	$800.00
2020	12.43%	$800.00
2021	12.36%	$800.00

- Lawrence County experienced an economic shock associated with COVID-19 but fortunately, our largest source of local revenue, sales tax, continued to increase during this time. As we enter 2021, we are proceeding with caution as this pandemic presents many uncertainties. The influx of federal funds has helped us to meet many of the educational and technological needs of our students and staff. We have also used these funds to provide extra safety and hygiene measures to make for a safer learning environment and help keep schools open and in session.

Contacting the School Board's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dr. Jon B Smith, Superintendent of Education, Lawrence County Schools, 14131 Market Street, Moulton, Alabama 35650, or by calling 905-2400 during regular office hours, Monday through Friday, from 7:30 a.m. to 4:00 p.m., central time.

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Basic Financial Statements

Statement of Net Position
September 30, 2020

		Governmental Activities
Assets		
Cash and Cash Equivalents	$	11,768,794.66
Investments		2,499,662.25
Ad Valorem Property Taxes Receivable		2,024,726.31
Receivables (Note 4)		2,232,170.94
Inventories		165,860.97
Capital Assets (Note 5):		
Nondepreciable		842,763.53
Depreciable, Net		43,384,579.48
Total Assets		62,918,558.14
Deferred Outflows of Resources		
Loss on Refunding of Debt		30,259.24
Employer Pension Contributions		3,228,535.32
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability		3,164,000.00
Employer Other Postemployment Benefits (OPEB) Contribution		874,106.00
Proportionate Share of Collective Deferred Outflows Related to Net Other Postemployment Benefits (OPEB) Liability		3,445,175.00
Total Deferred Outflows of Resources		10,742,075.56
Liabilities		
Payables (Note 8)		362,744.35
Unearned Revenue		159,676.93
Salaries and Benefits Payable		3,504,958.48
Accrued Interest Payable		177,626.50
Long-Term Liabilities:		
Portion Due or Payable Within One Year		2,076,269.07
Portion Due or Payable After One Year		81,364,559.04
Total Liabilities		87,645,834.37
Deferred Inflows of Resources		
Unavailable Revenue - Property Taxes		2,024,726.31
Revenue Received in Advance - Motor Vehicle Taxes		207,127.73
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability		3,203,000.00
Proportionate Share of Collective Deferred Inflows Related to Net Other Postemployment Benefits (OPEB) Liability		23,417,323.00
Total Deferred Inflows of Resources	$	28,852,177.04

The accompanying Notes to the Financial Statements are an integral part of this statement.

	Governmental Activities
Net Position	
Net Investment in Capital Assets	$ 19,319,640.91
Restricted for:	
Debt Service	3,460,832.44
Capital Projects	898,765.79
Other Purposes	1,240,963.76
Unrestricted	(67,757,580.61)
Total Net Position	$ (42,837,377.71)

Statement of Activities
For the Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Total Governmental Activities
Governmental Activities					
Instruction	$ 26,759,369.61	$ 755,947.97	$ 22,439,314.15	$ 1,273,698.00	$ (2,290,409.49)
Instructional Support	8,172,019.38	298,091.42	6,970,489.51		(903,438.45)
Operation and Maintenance	4,278,880.31	200,280.27	3,011,460.15	29,129.00	(1,038,010.89)
Auxiliary Services:					
Student Transportation Services	3,736,362.05	58,337.62	3,239,666.44	682,732.00	244,374.01
Food Services	3,537,290.32	2,569,936.66	382,913.50		(584,440.16)
General Administrative and Central Support	1,644,992.58	3,342.83	1,062,806.27		(578,843.48)
Interest and Fiscal Charges	792,506.66				(792,506.66)
Other Expenses	1,559,410.08	388,765.08	859,140.14		(311,504.86)
Total Governmental Activities	$ 50,480,830.99	$ 4,274,701.85	$ 37,965,790.16	$ 1,985,559.00	(6,254,779.98)

General Revenues:	
Taxes:	
Property Taxes for General Purposes	2,461,965.50
Sales Tax	5,531,705.55
Other Taxes	44,623.41
Grants and Contributions Not Restricted for Specific Programs	163,072.91
Investment Earnings	161,220.15
TVA in Lieu of Taxes	288,398.93
Gain on Disposition of Capital Assets	1,390.00
Miscellaneous	957,275.49
Total General Revenues	9,609,651.94
Changes in Net Position	3,354,871.96
Net Position - Beginning of Year	(46,192,249.67)
Net Position - End of Year	$ (42,837,377.71)

The accompanying Notes to the Financial Statements are an integral part of this statement.

Balance Sheet
Governmental Funds
September 30, 2020

	General Fund	Special Revenue Fund	Debt Service Fund	Other Governmental Fund	Total Governmental Funds
Assets					
Cash and Cash Equivalents	$ 5,040,315.18	$ 2,191,254.75	$ 3,638,458.94	$ 898,765.79	$ 11,768,794.66
Investments	2,000,000.00	499,662.25			2,499,662.25
Ad Valorem Property Taxes Receivable	2,024,726.31				2,024,726.31
Receivables (Note 4)	649,801.86	1,582,369.08			2,232,170.94
Due from Other Funds	1,287,744.42				1,287,744.42
Inventories		165,860.97			165,860.97
Total Assets	11,002,587.77	4,439,147.05	3,638,458.94	898,765.79	19,978,959.55
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Payables (Note 8)	113,920.25	248,824.10			362,744.35
Due to Other Funds		1,287,744.42			1,287,744.42
Unearned Revenue		159,676.93			159,676.93
Salaries and Benefits Payable	3,320,399.66	184,558.82			3,504,958.48
Total Liabilities	3,434,319.91	1,880,804.27			5,315,124.18
Deferred Inflows of Resources					
Unavailable Revenue - Property Taxes	2,024,726.31				2,024,726.31
Revenue Received in Advance - Motor Vehicle Taxes	207,127.73				207,127.73
Total Deferred Inflows of Resources	2,231,854.04				2,231,854.04
Fund Balances					
Nonspendable:					
Inventories		165,860.97			165,860.97
Restricted for:					
Debt Service			3,638,458.94		3,638,458.94
Capital Projects				898,765.79	898,765.79
Child Nutrition		567,480.30			567,480.30
Other Purposes		507,622.49			507,622.49
Assigned to:					
Local Schools		1,317,379.02			1,317,379.02
Unassigned	5,336,413.82				5,336,413.82
Total Fund Balances	5,336,413.82	2,558,342.78	3,638,458.94	898,765.79	12,431,981.33
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 11,002,587.77	$ 4,439,147.05	$ 3,638,458.94	$ 898,765.79	$ 19,978,959.55

The accompanying Notes to the Financial Statements are an integral part of this statement.

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2020

Total Fund Balances - Governmental Funds (Exhibit 3)		$ 12,431,981.33
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The Cost of Capital Assets is	$ 81,986,735.30	
Accumulated Depreciation is	(37,759,392.29)	
		44,227,343.01
Losses on refunding of debt are reported as deferred outflows of resources and are not available to pay for current-period expenditures and, therefore, are deferred on the Statement of Net Position.		30,259.24
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		3,189,535.32
Deferred outflows and inflows of resources related to OPEB Obligations are applicable to future periods and, therefore, are not reported in the governmental funds.		(19,098,042.00)
Long-term liabilities, including bonds/warrants payable, pension and OPEB obligations, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Current Portion of Long-Term Debt	$ 2,076,269.07	
Noncurrent Portion of Long-Term Debt	81,364,559.04	
		(83,440,828.11)
Interest on long-term debt is not accrued in the funds but rather is recognized as an expenditure when due.		
Accrued Interest Payable		(177,626.50)
Total Net Position - Governmental Activities (Exhibit 1)		$ (42,837,377.71)

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2020

	General Fund	Special Revenue Fund	Debt Service Fund	Other Governmental Fund	Total Governmental Funds
Revenues					
State	$ 32,668,148.76	$	$ 608,173.55	$ 1,373,779.45	$ 34,650,101.76
Federal	432,692.73	7,122,532.87			7,555,225.60
Local	8,857,533.14	2,422,692.90	90,906.68		11,371,132.72
Other	126,716.08	84,223.51			210,939.59
Total Revenues	42,085,090.71	9,629,449.28	699,080.23	1,373,779.45	53,787,399.67
Expenditures					
Current:					
Instruction	22,734,325.85	3,721,908.47			26,456,234.32
Instructional Support	6,751,431.41	1,741,457.56			8,492,888.97
Operation and Maintenance	3,848,800.03	384,167.84		25,523.00	4,258,490.87
Auxiliary Services:					
Student Transportation Services	3,372,302.45	45,892.77			3,418,195.22
Food Services	89,922.56	3,840,864.76			3,930,787.32
General Administrative and Central Support	1,281,204.88	433,389.82			1,714,594.70
Other	914,456.98	591,820.48			1,506,277.46
Capital Outlay	313,201.75	176,993.13			490,194.88
Debt Service:					
Principal Retirement			855,000.00	1,056,718.87	1,911,718.87
Interest and Fiscal Charges			630,483.47	239,822.22	870,305.69
Debt Issuance Costs/Other Debt Service			5,550.20		5,550.20
Total Expenditures	39,305,645.91	10,936,494.83	1,491,033.67	1,322,064.09	53,055,238.50
Excess (Deficiency) of Revenues Over Expenditures	2,779,444.80	(1,307,045.55)	(791,953.44)	51,715.36	732,161.17
Other Financing Sources (Uses)					
Indirect Cost	316,691.74				316,691.74
Transfers In	247,009.33	1,639,510.87	1,127,263.76		3,013,783.96
Other Financing Sources	46,913.28				46,913.28
Sale of Capital Assets		1,390.00			1,390.00
Transfers Out	(2,766,774.63)	(247,009.33)			(3,013,783.96)
Total Other Financing Sources (Uses)	(2,156,160.28)	1,393,891.54	1,127,263.76		364,995.02
Net Changes in Fund Balances	623,284.52	86,845.99	335,310.32	51,715.36	1,097,156.19
Fund Balances - Beginning of Year	4,713,129.30	2,471,496.79	3,303,148.62	847,050.43	11,334,825.14
Fund Balances - End of Year	$ 5,336,413.82	$ 2,558,342.78	$ 3,638,458.94	$ 898,765.79	$ 12,431,981.33

The accompanying Notes to the Financial Statements are an integral part of this statement.

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Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2020

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5)		$ 1,097,156.19
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlay expenditures in the period.		
Capital Outlays	$ 490,194.88	
Depreciation Expense	(2,479,758.91)	(1,989,564.03)
Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		1,911,718.87
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Accrued Interest Payable, Current Year (Increase)/Decrease	$ 19,826.82	
Compensated Absences, Current Year (Increase)/Decrease	(56,929.36)	
Amortization of Bond Discounts/Premiums/Gain or Loss on Refunding	63,522.41	
Pension Expense, Current Year (Increase)/Decrease	(67,439.94)	
OPEB Expense, Current Year (Increase)/Decrease	2,376,581.00	
		2,335,560.93
Change in Net Position of Governmental Activities (Exhibit 2)		$ 3,354,871.96

The accompanying Notes to the Financial Statements are an integral part of this statement.

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Lawrence County Board of Education (the "Board") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The Board is governed by a separately elected board composed of five members elected by the qualified electors of the County. The Board is responsible for the general administration and supervision of the public schools for the educational interests of the County.

Generally accepted accounting principles (GAAP) require that the financial reporting entity consist of the primary government and its component units. Accordingly, the accompanying financial statements present the Board (a primary government).

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on the application of these criteria, there are no component units which should be included as part of the financial reporting entity of the Board.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Board. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Board does not allocate indirect expenses to the various functions. Program revenues include (a) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Board's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The remaining governmental fund is reported as a nonmajor fund in the Other Governmental Fund column.

The Board reports the following major governmental funds:

- ***General Fund*** – The General Fund is the primary operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund. The Board primarily receives revenues from the Education Trust Fund (ETF) and local taxes. Amounts appropriated from the ETF were allocated to the school board on a formula basis.

- ***Special Revenue Fund*** – This fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Various federal and local funding sources are included in this fund. Some of the significant federal funding sources include the federal funds that are received for Coronavirus Relief, Education Stabilization, Special Education, Title I, and the Child Nutrition Program in addition to various smaller grants, which are required to be spent for the purposes of the applicable federal grants. Also included in the fund are public and non-public funds received by the local schools which are generally not considered restricted or committed. The funds received for the C.C. Smith Trust are also included in this fund.

- ***Debt Service Fund*** – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest and the accumulation of resources for principal and interest payments maturing in future years.

The Board reports the following fund type in the Other Governmental Fund column:

Governmental Fund Type

- ***Capital Projects Fund*** – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets. Also included in this fund are Alabama Department of Education appropriations which are restricted to their use.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available when they are collected within sixty (60) days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Board funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Board's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances

1. Deposits and Investments

Cash and cash equivalents includes cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Statutes authorize the Board to invest in obligations of the U. S. Treasury, obligations of any state of the United States, general obligations of any Alabama county or city board of education secured by the pledge of the three-mill school tax and certificates of deposit.

2. Receivables

Sales tax receivables are based on the amounts collected within 60 days after year-end.

Millage rates for property taxes are levied at the first regular meeting of the County Commission in February of the initial year of the levy. Property is assessed for taxation as of October 1 of the preceding year based on the millage rates established by the County Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31. Amounts receivable, net of estimated refunds and estimated uncollectible amounts, are recorded for the property taxes levied in the current year. However, since the amounts are not available to fund current year operations, the revenue is deferred and recognized in the subsequent fiscal year when the taxes are both due and collectible and available to fund operations.

Receivables due from other governments include amounts due from grantors for grants issued for specific programs.

3. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

4. Restricted Assets

Certain funds received from the State Department of Education for capital projects and improvements, as well as certain resources set aside for repayment of debt, included in cash and cash with fiscal agent on the financial statements, are considered restricted assets because they are maintained separately, and their use is limited. The Public School Capital Projects and Fleet Renewal proceeds are restricted for use in various construction projects and the purchase of school buses. The Debt Service Fund is used to report resources set aside to pay the principal and interest on debt as it becomes due.

5. Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide financial statements. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed.

Depreciation on all assets is provided on the straight-line basis over the assets estimated useful life. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Land Improvements	$50,000	20 years
Buildings	$50,000	50 years
Building Improvements	$50,000	50 years
Equipment and Furniture	$ 5,000	5 – 15 years
Vehicles	$ 5,000	8 – 10 years

6. Deferred Outflows of Resources

Deferred outflows of resources are reported in the Statement of Net Position. Deferred outflows of resources are defined as a consumption of net position by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond/warrant premiums and discounts are deferred and amortized over the life of the debt. Bonds/warrants payable are reported gross of the applicable bond/warrant premium or discount. Bond/warrant issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognize bond/warrant premiums and discounts, as well as bond/warrant issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Compensated Absences

The Board's vacation leave policy consists of the following: Vacation leave is available to twelve-month professional employees with at least one full year of experience with the Board. Employees accrue vacation leave at the rate of one day per month. No vacation leave is earned during the months of July and August. The maximum number of days carried forward as of June 30 each year is twenty (20) days. The Board will pay for unused vacation leave upon resignation or retirement.

9. Deferred Inflows of Resources

Deferred inflows of resources are reported in the government-wide and fund financial statements. Deferred inflows of resources are defined as an acquisition of net position/fund balances by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position/fund balances, similar to liabilities.

10. Net Position/Fund Balances

Net position is reported on the government-wide financial statements and is required to be classified for accounting and reporting purposes into the following categories:

- ***Net Investment in Capital Assets***– Capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets plus or minus any deferred outflows of resources and deferred inflows of resources that are attributable to those assets or related debt. Any significant unspent related debt proceeds and any deferred outflows or inflows at year-end related to capital assets are not included in this calculation.

- ***Restricted*** – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.

- ***Unrestricted*** – The net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted portion of net position. Assignments and commitments of unrestricted net position should not be reported on the face of the Statement of Net Position.

Fund balance is reported in governmental funds in the fund financial statements under the following five categories:

A. Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include inventories, prepaid items, and long-term receivables.

B. Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

C. Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action of the Board, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.

D. Assigned fund balances consist of amounts that are intended to be used by the Board for specific purposes. The Board authorizes the Superintendent or Chief School Financial Officer to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.

E. Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the Board to consider restricted amounts to have been reduced first. When an expenditure is incurred for the purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the Board that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

The Board has a minimum fund balance policy. The policy states that the Superintendent or Chief School Financial Officer will inform the Board, before the Board votes on a budget or budget amendment, if the approval of the budget or budget amendment will prevent the establishment or maintenance of a one-month's operating balance. A one-month's operating balance shall be determined by dividing the General Fund expenditures and fund transfers out by 12. In determining the General Fund expenditures and fund transfers out, the proposed budget or budget amendment, shall be used.

E. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the Teachers' Retirement System of Alabama (the "Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to Plan requirements. Benefits and refunds are recognized as revenues when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

F. Postemployment Benefits Other Than Pensions (OPEB)

The Alabama Retired Education Employees' Health Care Trust (the "Trust") financial statements are prepared by using the economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Trust and additions to/deductions from the Trust's fiduciary net position. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to plan requirements. Benefits are recognized when due and payable in accordance with the terms of the plan. Subsequent events were evaluated by management through the date the financial statements were issued.

Note 2 – Stewardship, Compliance, and Accountability

Budgets

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund and Special Revenue Fund with the exception of salaries and benefits, which are budgeted only to the extent expected to be paid rather than on the modified accrual basis of accounting. Also, ad valorem taxes in the General Fund are budgeted only to the extent expected to be received rather than on the modified accrual basis of accounting. The Capital Projects Fund adopts project-length budgets All other governmental funds adopt budgets on the modified accrual basis of accounting. All appropriations lapse at fiscal year-end.

On or before October 1 of each year, each county board of education shall prepare and submit to the State Superintendent of Education the annual budget to be adopted by the County Board of Education. The Superintendent or County Board of Education shall not approve any budget for operations of the school for any fiscal year which shall show expenditures in excess of income estimated to be available plus any balances on hand.

Note 3 – Deposits and Investments

A. Deposits

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Board will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Board's deposits at year-end, except for cash with fiscal agents for debt service, were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the ***Code of Alabama 1975***, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

B. Investments

Statutes authorize the Board to invest in obligations of the U. S. Treasury, obligations of any state of the United States, general obligations of any Alabama county or city board of education secured by pledge of the three-mill school tax and other obligations as outlined in the ***Code of Alabama 1975***, Section 19-3-120 and Section 19-3-120.1.

$2,000,000 of the Board's investments were in certificates of deposit. These certificates of deposit are classified as "Deposits" in order to determine insurance and collateralization. However, they are classified as "Investments" on the financial statements.

The Board categorizes its fair value measurements within the fair value hierarchy established by the Governmental Accounting Standards Board (GASB) Statement Number 72, ***Fair Value Measurement and Application***. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

As of September 30, 2020, the Board had the following investments:

Investments	Maturity	Fair Value	Fair Value Hierarchy Level 2
MFS US GOVERNMENT CASH RESERVE CL A	N/A	$ 13,052.85	$ 13,082.85
BANK DEPOSIT SWEEP PROGRAM	N/A	45,939.45	45,939.45
GOVT NATL MTG ASSN SER 2013-022 CL 2-GB	22 Years	26,291.06	26,291.06
GOVT NATL MTG ASSN SER 2017-149 CL 9-CN	26-27 Years	24,536.46	24,536.46
GOVT NATL MTG ASSN SER 2017-149 CL 9-UD	26-27 Years	24,065.38	24,065.38
CAPITAL ONE BK USA NATL ASSN CD 2.35%	1-2 Years	52,274.00	52,274.00
JPMORGAN CHASE BK N A CD 1.4%	7-8 Years	30,260.70	30,260.70
HSBC BANK USA NA CD 3.15%	7-8 Years	41,423.60	41,423.60
HOOVER ALA GO REF WTS SER.2010 5.00%	1 Year	30,117.60	30,117.60
TALLADEGA CNTY ALA BRD ED SPL TAX SCH	6-7 Years	52,476.75	52,476.75
TRUSSVILLE ALA GO SCH WTS SER 2015	13-14 Years	47,204.40	47,204.40
BALDWIN CNTY ALA BRD ED REF SCH WTS SER	15-16 Years	57,127.50	57,127.50
UNITED STATES TREAS NTS NOTE 2.00%	5-6 Years	54,892.50	54,892.50
Total Investments		$499,662.25	$499,662.25

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increased interest rates.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. State law requires that pre-funded public obligations, such as any bonds or other obligations of any state of the United States of America or of any agency instrumentality or local governmental unity of any such state that the Board invests in be rated in the highest rating category of Standard & Poor's Corporation and Moody's Investor Services, Inc. The Board does not have a formal policy requiring investments to be rated in the highest rating category. At September 30, 2020, the Board's investments in treasury securities and municipal bonds were rated AAA, AA+, AA- and AA by Standard and Poor's and Aa1, Aa2 and Aaa by Moody's.

Custodial Credit Risk – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to cover the value of its investments or collateral securities that are in possession of an outside party. The Board does not have an investment policy which limits the amount of securities that can be held by counterparties. The funds transferred to meet the Board's annual debt service are invested until payments are made.

Concentrations of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Board does not have a formal investment policy that limits the investment in a single issuer.

C. Cash with Fiscal Agent

As of September 30, 2020, the Board had cash with fiscal agent, recorded with cash and cash equivalents on the financial statements, in the amount of $665,209.66 that was invested in Dreyfus Treasury money market funds reported at amortized cost. Also, $2,652,013.24 is on deposit with the State of Alabama for future debt service payments.

Note 4 – Receivables

On September 30, 2020, receivables for the Board's individual major funds are as follows:

	General Fund	Special Revenue Fund	Total
Receivables:			
Other	$ 10,829.98	$ 21,241.02	$ 32,071.00
Sales Tax	487,609.85		487,609.85
Intergovernmental	151,362.03	1,561,128.06	1,712,490.09
Total Receivables	$649,801.86	$1,582,369.08	$2,232,170.94

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2020, was as follows:

	Balance 10/01/2019	Additions (*)	Retirements (*)	Balance 09/30/2020
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 726,910.53	$	$	$ 726,910.53
Construction in Progress		115,853.00		115,853.00
Total Capital Assets Not Being Depreciated	726,910.53	115,853.00		842,763.53
Capital Assets Being Depreciated:				
Land Improvements (Exhaustible)	4,888,063.91			4,888,063.91
Buildings	46,335,076.21			46,335,076.21
Building Improvements	17,204,741.13	133,570.00		17,338,311.13
Equipment	3,377,461.20	240,771.88	(47,135.54)	3,571,097.54
Vehicles	6,723,548.53	278,326.90		7,001,875.43
Equipment Under Capital Lease	2,287,874.45		(278,326.90)	2,009,547.55
Total Capital Assets Being Depreciated	80,816,765.43	652,668.78	(325,462.44)	81,143,971.77
Less Accumulated Depreciation for:				
Land Improvements (Exhaustible)	(3,238,674.26)	(152,195.01)		(3,390,869.27)
Buildings	(20,114,443.81)	(854,289.78)		(20,968,733.59)
Building Improvements	(4,253,050.38)	(669,672.88)		(4,922,723.26)
Equipment	(2,602,804.29)	(131,887.72)	47,135.54	(2,687,556.47)
Vehicles	(3,332,309.24)	(749,085.75)		(4,081,394.99)
Equipment under Capital Lease	(1,785,486.94)	(200,954.67)	278,326.90	(1,708,114.71)
Total Accumulated Depreciation	(35,326,768.92)	(2,758,085.81)	325,462.44	(37,759,392.29)
Total Capital Assets Being Depreciated, Net	45,489,996.51	(2,105,417.03)		43,384,579.48
Governmental Activities Capital Assets, Net	$ 46,216,907.04	$(1,989,564.03)	$	$ 44,227,343.01

(*) Additions and Retirements columns include $278,326.90 of reclassifications from Equipment Under Capital Lease to Vehicles and related depreciation.

Depreciation expense was charged to functions/programs of the primary government as follows:

	Current Year Depreciation Expense
Governmental Activities:	
Instruction	$1,511,129.28
Instructional Support	19,126.55
Operation and Maintenance	86,315.19
Auxiliary Services:	
Student Transportation	649,389.51
Food Service	66,907.44
General Administrative and Central Support	17,905.63
Other Expenses	128,985.31
Total Depreciation Expense – Governmental Activities	$2,479,758.91

Note 6 – Defined Benefit Pension Plan

A. Plan Description

The Teachers' Retirement System of Alabama (TRS), a cost-sharing multiple-employer public employee retirement plan (the "Plan"), was established as of September 15, 1939, under the provisions of Act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The ***Code of Alabama 1975***, Section 16-25-2, grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

B. Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS members are eligible for retirement after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Act Number 2012-377, Acts of Alabama, established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits, equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30th, are paid to a qualified beneficiary.

C. Contributions

Tier I covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the TRS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation.

Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7% of earnable compensation.

Participating employers' contractually required contribution rate for the year ended September 30, 2020, was 12.43% of annual pay for Tier 1 members and 11.34% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were $3,228,535.32 for the year ended September 30, 2020.

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2020, the Board reported a liability of $39,353,000.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of September 30, 2018. The Board's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2019, the Board's proportion was 0.355915%, which was a decrease of 0.012923% from its proportion measured as of September 30, 2018.

For the year ended September 30, 2020, the Board recognized pension expense of $3,293,000.00. At September 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 582,000.00	$1,305,000.00
Changes of assumptions	1,212,000.00	
Net difference between projected and actual earnings on pension plan investments	1,370,000.00	
Changes in proportion and differences between employer contributions and proportionate share of contributions		1,898,000.00
Employer contributions subsequent to the measurement date	3,228,535.32	
Total	$6,392,535.32	$3,203,000.00

The $3,228,535.32 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending:	
September 30, 2021	$(611,000.00)
2022	$(351,000.00)
2023	$ 394,000.00
2024	$ 573,000.00
2025	$ (44,000.00)
Thereafter	$ 0.00

E. Actuarial Assumptions

The total pension liability as of September 30, 2019 was determined by an actuarial valuation as of September 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Investment Rate of Return (*)	7.70%
Projected Salary Increases	3.25% - 5.00%

(*) Net of Pension Plan Investment Expense

The actuarial assumptions used for the purposes of determining the total pension liability were based on the results of an actuarial experience study for the period October 1, 2010 through September 30, 2015 and a discount rate of 7.70%, as adopted by the Board of Trustees on December 4, 2018.

Mortality rates were based on the sex distinct RP-2000 White Collar Mortality Table projected to 2020 using Scale BB and adjusted 115% for males and 112% for females age 78 and older. The rates of disabled mortality were based on the RP-2000 sex distinct Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	17.00%	4.40%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash	3.00%	1.50%
Total	100.00%	

(*) Includes assumed rate of inflation of 2.50%

F. Discount Rate

The discount rate used to measure the total pension liability was 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Sensitivity of the Board's Proportionate Share of the Collective Net Pension Liability to Changes in the Discount Rate

The following table presents the Board's proportionate share of the collective net pension liability calculated using the discount rate of 7.70%, as well as what the Board's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
Board's Proportionate Share of Collective Net Pension Liability	$53,424	$39,353	$27,446
(Dollar amounts in thousands)			

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2019. The auditor's report dated August 18, 2020, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2019, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Note 7 – Other Postemployment Benefits (OPEB)

A. Plan Description

The Alabama Retired Education Employees' Health Care Trust (the "Trust") is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that administers healthcare benefits to the retirees of participating state and local educational institutions. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007 which authorized and directed the Public Education Employees' Health Insurance Board (PEEHIB) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in the Public Education Employees' Health Insurance Plan (PEEHIP). Active and retiree health insurance benefits are paid through PEEHIP. In accordance with GASB, the Trust is considered a component unit of the State of Alabama (the "State") and is included in the State's Comprehensive Annual Financial Report.

The PEEHIP was established in 1983 pursuant to the provisions of the ***Code of Alabama 1975***, Section 16-25A-4, (Act Number 83-455, Acts of Alabama), to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions which provide instruction at any combination of grades K-14 (collectively, eligible employees), and to provide a method for funding the benefits related to the plan. The four-year universities participate in the plan with respect to their retired employees, and are eligible and may elect to participate in the plan with respect to their active employees. Responsibility for the establishment of the health insurance plan and its general administration and operations is vested in the PEEHIB. The PEEHIB is a corporate body for purposes of management of the health insurance plan. The ***Code of Alabama 1975***, Section 16-25A-4, provides the PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. All assets of the PEEHIP are held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

B. Benefits Provided

PEEHIP offers a basic hospital medical plan to active members and non-Medicare eligible retirees. Benefits include inpatient hospitalization for a maximum of 365 days without a dollar limit, inpatient rehabilitation, outpatient care, physician services, and prescription drugs.

Active employees and non-Medicare eligible retirees who do not have Medicare eligible dependents can enroll in a health maintenance organization (HMO) in lieu of the basic hospital medical plan. The HMO includes hospital medical benefits, dental benefits, vision benefits, and an extensive formulary. However, participants in the HMO are required to receive care from a participating physician in the HMO plan.

The PEEHIP offers four optional plans (Hospital Indemnity, Cancer, Dental, and Vision) that may be selected in addition to or in lieu of the basic hospital medical plan or HMO. The Hospital Indemnity Plan provides a per-day benefit for hospital confinement, maternity, intensive care, cancer, and convalescent care. The Cancer Plan covers cancer disease only and benefits are provided regardless of other insurance. Coverage includes a per-day benefit for each hospital confinement related to cancer. The Dental Plan covers diagnostic and preventative services, as well as basic and major dental services. Diagnostic and preventative services include oral examinations, teeth cleaning, x-rays, and emergency office visits. Basic and major services include fillings, general aesthetics, oral surgery not covered under a Group Medical Program, periodontics, endodontics, dentures, bridgework, and crowns. Dental services are subject to a maximum of $1,250 per year for individual coverage and $1,000 per person per year for family coverage. The Vision Plan covers annual eye examinations, eyeglasses, and contact lens prescriptions.

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retiree members and dependents are eligible for the PEEHIP Supplemental Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. The plan cannot be used as a supplement to Medicare, the PEEHIP Hospital Medical Plan, or the State or Local Governmental Plans administered by the State Employees' Insurance Board (SEIB).

Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the United Healthcare Group Medicare Advantage plan for PEEHIP retirees. Effective January 1, 2020, Humana Insurance Company replaced United Healthcare as the administrator of the PEEHIP Group Medicare Advantage (PPO) Plan. The Medicare Advantage plan is fully insured, and members are able to have all of their Medicare Part A (hospital insurance), Part B (medical insurance), and Part D (prescription drug coverage) in one convenient plan. Retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Members have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

C. Contributions

The ***Code of Alabama 1975***, Section 16-25A-8 and the ***Code of Alabama 1975***, Section 16-25A-8.1, provide the PEEHIB with the authority to set the contribution requirements for plan members and the authority to set the employer contribution requirements for each required class, respectively. Additionally, the PEEHIB is required to certify to the Governor and the Legislature, the amount, as a monthly premium per active employee, necessary to fund the coverage of active and retired member benefits for the following fiscal year. The Legislature then sets the premium rate in the annual appropriation bill.

For employees who retired after September 30, 2005, but before January 1, 2012, the employer contribution of the health insurance premium set forth by the PEEHIB for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% for each year of service over 25 subject to adjustment by the PEEHIB for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree.

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the PEEHIB for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by the PEEHIB for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree. For employees who retired after December 31, 2011, who are not covered by Medicare, regardless of years of service, the employer contribution to the health insurance premium set forth by the PEEHIB for each retiree class is reduced by a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by the PEEHIB. This reduction in the employer contribution ceases upon notification to the PEEHIB of the attainment of Medicare coverage.

D. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2020, the Board reported a liability of $18,917,262.00 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018. The Board's proportion of the collective net OPEB liability was based on a projection of the Board's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2019, the Board's proportion was 0.501416%, which was an increase of 0.019216% from its proportion measured as of September 30, 2018.

For the year ended September 30, 2020, the Board recognized OPEB income of $1,495,854.00, with no special funding situations. At September 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 626,367.00	$14,504,938.00
Changes of assumptions	904,358.00	7,835,641.00
Net difference between projected and actual earnings on OPEB plan investments	39,024.00	
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,875,426.00	1,076,744.00
Employer contributions subsequent to the measurement date	874,106.00	
Total	$4,319,281.00	$23,417,323.00

The $874,106.00 reported as deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending:	
September 30, 2021	$(4,200,582)
2022	$(4,200,582)
2023	$(4,151,011)
2024	$(3,306,995)
2025	$(3,501,950)
Thereafter	$ (611,028)

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected Salary Increases (1)	3.25% - 5.00%
Long-Term Investment Rate of Return (2)	7.25%
Municipal Bond Index Rate at the Measurement Date	3.00%
Municipal Bond Index Rate at the Prior Measurement Date	4.18%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2055
Single Equivalent Interest Rate the Measurement Date	5.50%
Single Equivalent Interest Rate the Prior Measurement Date	4.44%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.75%
Medicare Eligible	(**)
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75% in 2026
Medicare Eligible	4.75% in 2024

(1) Includes 3.00% wage inflation.
(2)Compounded annually, net of investment expense, and includes inflation.
(**) Initial Medicare claims are set based on scheduled increases through plan year 2022.

Mortality rates for the period after service retirement are according to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2016.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2018 valuation, however updated Medicare Advantage premium rates reflect the repeal of the Affordable Care Act (ACA) Health Insurer Fee, updated optional claims costs, and updated participation assumptions were used in this report.

The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for the Teachers' Retirement System of Alabama. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The long-term expected rate of return on the OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns.

The target asset allocation and best estimates of expected geometric real rates of return for each major asset class is summarized below:

	Target Allocation	Long-Term Expected Real Rate of Return (*)
Fixed Income	30.00%	4.40%
U. S. Large Stocks	38.00%	8.00%
U. S. Mid Stocks	8.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	15.00%	9.50%
Cash	5.00%	1.50%
Total	100.00%	

(*) Geometric mean, includes 2.50% inflation

F. Discount Rate

The discount rate, also known as the Single Equivalent Interest Rate (SEIR), as described by GASB Statement Number 74, used to measure the total OPEB liability at September 30, 2019, was 5.50%. The discount rate used to measure the total OPEB liability at the prior measurement date was 4.44%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Approximately 24.245% of the employer contributions were used to assist in funding retiree benefit payments in 2019, and it is assumed that once benefit payments exceed employer contributions, this amount will increase by 1.00% per year and continue into the future. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members were projected through 2117. The long-term rate of return is used until the assets are expected to be depleted in 2055, after which the municipal bond rate is used.

G. Sensitivity of the Board's Proportionate Share of the Collective Net OPEB Liability to Changes in the Healthcare Cost Trend Rates and in the Discount Rates

The following table presents the Board's proportionate share of the collective net OPEB liability of the Trust calculated using the current healthcare trend rate, as well as what the collective net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.75% Decreasing to 3.75% for Pre-Medicare, Known Decreasing to 3.75% for Medicare Eligible)	Current Healthcare Trend Rate (6.75% Decreasing to 4.75% for Pre-Medicare, Known Decreasing to 4.75% for Medicare Eligible)	1% Increase (7.75% Decreasing to 5.75% for Pre-Medicare, Known Decreasing to 5.75% for Medicare Eligible)
Board's Proportionate Share of Collective Net OPEB Liability	$15,168,241	$18,917,262	$23,638,983

The following table presents the Board's proportionate share of the collective net OPEB liability of the Trust calculated using the discount rate of 5.50%, as well as what the collective net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (4.50%)	Current Rate (5.50%)	1% Increase (6.50%)
Board's Proportionate Share of Collective Net OPEB Liability	$22,865,896	$18,917,262	$15,692,530

H. OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is located in the Trust's financial statements for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement Number 74 Report for PEEHIP prepared as of September 30, 2019. Additional financial and actuarial information is available at www.rsa-al.gov.

Note 8 – Payables

On September 30, 2020, payables for the Board's individual major funds are as follows:

	Accounts Payables	Intergovernmental Payables	Total Payables
Governmental Activities:			
General Fund	$113,920.25	$	$113,920.25
Special Revenue Fund	145,738.20	103,085.90	248,824.10
Total Governmental Activities	$259,658.45	$103,085.90	$362,744.35

Note 9 – Lease Obligations

Capital Leases

The Board is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled $2,009,547.55 at September 30, 2020. If the Board completes the lease payments according to the schedule below, which is the stated intent of the Board, ownership of the leased equipment will pass to the Board. Until that time, the leased equipment will be identified separately on the balance sheet. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30, 2020.

Fiscal Year Ending	Governmental Activities
September 30, 2021	$249,187.51
2022	249,187.55
Total Minimum Lease Payments	498,375.06
Less: Amount Representing Interest	(29,161.51)
Present Value of Net Minimum Lease Payments	$469,213.55

One of the Board's outstanding capital leases from direct borrowings, originally issued at $1,724,118.88, is secured by twenty-two 2012 school buses. The outstanding lease contains a provision that in the event of default, the bank may (1) declare the unpaid principal balance plus accrued interest to date to be immediately due and payable, (2) terminate the contract as to any or all items of equipment, (3) repossess all or any items of equipment, (4) cause buyer to promptly return equipment, (5) use, hold, sell, lease or otherwise dispose of equipment without affecting the obligations of buyer, (6) sell or lease equipment at public auction or private sale or lease, free and clear of any rights of buyer, (7) proceed to enforce performance of applicable covenants of contract or to recover damages for the breach, or (8) exercise any and all rights accruing to seller under any applicable law upon a default by buyer.

One of the Board's outstanding capital leases from direct borrowings, originally issued at $285,428.67 is secured by three 2013 school buses. The outstanding lease contains a provision that in the event of default, the bank may (1) declare the unpaid principal balance plus accrued interest to date to be immediately due and payable, (2) terminate the contract as to any or all items of equipment, (3) repossess all or any items of equipment, (4) cause buyer to promptly return equipment, (5) use, hold, sell, lease or otherwise dispose of equipment without affecting the obligations of buyer, (6) sell or lease equipment at public auction or private sale or lease, free and clear of any rights of buyer, (7) proceed to enforce performance of applicable covenants of contract or to recover damages for the breach, or (8) exercise any and all rights accruing to seller under any applicable law upon a default by buyer.

Note 10 – Long-Term Debt

On August 1, 2011, the Board issued School Tax Refunding Warrants, Series 2011 in the amount of $4,475,000.00 with interest rates of 1.5% to 4.5%, to provide funds to refund the Series 2002 Warrants and to provide funds for the construction and renovation of school facilities.

On December 16, 2009, the Alabama Public School and College Authority issued Capital Improvement Pool Qualified School Construction Bonds, Series 2009-D (Tax Credit Bonds) with a tax credit rate of 5.76% and interest rate of 1.865% on behalf of various Boards of Education in the State. The Board had a 3.29% participation in the bonds resulting in the Board's share of principal, issuance costs and net proceeds of $4,803,000.00, $42,279.00 and $4,760,721.00, respectively. The Board is required to make sinking fund deposits of $249,953.84 on December 15 in each year for fifteen years so that such deposits and any interest earned thereon shall be used to pay the principal of the bonds upon maturity and are pledged to pay the debt service requirements of the bonds. The sinking fund deposits and interest payments are payable from and secured by a pledge of the Board's allocable share of Public School Capital Outlay Funds. In the event of default, whether due to failure to comply with terms and conditions of Bonds or in failure to pay amount due on the Bonds, the Alabama Public School and College Authority (the "Authority") may (1) withhold all Public School Fund Capital Purchase Funds due to the Board until full compliance with the terms and (2) file suit to compel performance of the obligations of the Board under the bond agreement.

The Board issued School Tax Refunding Warrants, Series 2009, in the amount of $5,365,000.00, to provide funds to refund the Series 1998 Warrants.

On March 14, 2012, the Alabama Public School and College Authority, on behalf of the various Boards of Education in the pool, issued $79,340,000.00 in Pool Refunding Bonds, Series 2012-A ("Series 2012-A") with interest rates ranging from 3.00% to 5.00% to refund and retire on a current basis $57,497,698.00 of outstanding Capital Improvement Pool Bond, Series 2002-A ("Series 2002-A") and $21,842,302.00 of outstanding Capital Improvement and Economic Development and Training Bonds, Series 2003 ("Series 2003") which were scheduled to mature in fiscal years 2013 through 2022 with interest rates ranging from 4.00% to 5.00%. The Board had a 5.992% participation in the Series 2002-A. This resulted in the Board being obligated for $3,445,262.06 of the total principal of $79,340,000.00. In the event of default, whether due to failure to comply with terms and conditions of Bonds or in failure to pay amount due on the leveraged funds due to the Bonds, the Authority may (1) withhold all leveraged funds due to the Board until full compliance with the terms and (2) file suit to compel performance of the obligations of the Board under the bond agreement.

During fiscal year 2015, the Alabama Public School and College Authority, on behalf of the various Boards of Education in the pool, issued $47,610,000.00 in Capital Improvement Pool Refunding Bonds, Series 2015-B ("Series 2015-B") with interest rates ranging from 3.00% to 5.00% to partially refund and retire $29,790,000.00 of outstanding Capital Improvement Pool Bonds, Series 2008 ("Series 2008") and $22,415,000.00 of outstanding Capital Improvement Pool Bonds, Series 2009C ("Series 2009C"). The Board had a 5.6579% participation in the Series 2008. This resulted in the Board being obligated for $1,537,134.04 of the total principal of $47,610,000.00. In the event of default, whether due to failure to comply with terms and conditions of Bonds or in failure to pay amount due on the leveraged funds due to the Bonds, the Authority may (1) withhold all leveraged funds due to the Board until full compliance with the terms and (2) file suit to compel performance of the obligations of the Board under the bond agreement.

During fiscal year 2015, the Board issued School Tax Warrants, Series 2015-A to provide funds for the construction of a new gymnasium and financing for the Schneider energy projects.

During fiscal year 2016, the Board issued Special Tax School Warrants, Series 2016, in the amount of $1,825,000.00 for the purpose of paying the costs of acquiring and equipping school buses.

During fiscal year 2018, the Board issued a direct borrowing secured equipment financing agreement with Regions Bank, in the amount of $810,382.50 for the purpose of paying the costs of acquiring and equipping school buses and is secured by ten 2019 school buses. In the event of default, the lender may (1) proceed, by appropriate court action or actions, to enforce performance by User of the applicable covenants of this Agreement or to recover damages for the breach thereof, which damages shall be payable solely from User's available funds; or (2) do any or all of the following: a) terminate agreement and rights for use of equipment; b) take possession of and sell equipment with the Board responsible for unpaid balance plus interest; c) attempt to collect the entire amount which, absent of default, would have been payable; d) exercise any other right, remedy, election or recourse available to lender.

During fiscal year 2019, the Board issued a direct borrowing secured equipment financing agreement with Regions Bank, in the amount of $954,867.00 for the purpose of paying the costs of acquiring and equipping school buses and is secured by eleven 2020 school buses. In the event of default, the lender may (1) terminate this agreement and rights for use of equipment; (2) take possession of and sell equipment with the Board responsible for unpaid balance plus interest; (3) attempt to collect the entire amount which, absent of default, would have been payable; (4) exercise any other right, remedy, election or recourse available to lender.

The following is a summary of long-term debt transactions for the Board for the year ended September 30, 2020:

	Debt Outstanding 10/01/2019	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2020	Amounts Due Within One Year
Governmental Activities:					
Bonds/Warrants Payable:					
School Tax Refunding Warrants, Series 2009	$ 1,770,000.00	$	$ (425,000.00)	$ 1,345,000.00	$ 430,000.00
Pool Refunding Bonds, Series 2012-A	1,343,756.38		(360,202.25)	983,554.13	378,223.25
Capital Outlay Pool Bonds, Series 2009-D QSCB	4,803,000.00			4,803,000.00	
School Tax Refunding Warrants, Series 2011	3,525,000.00		(130,000.00)	3,395,000.00	135,000.00
PSCA Capital Improvement Pool Refunding Bonds, Series 2015-B	1,468,687.83		(125,753.77)	1,342,934.06	131,888.10
Special School Tax Warrants, Series 2015-A	9,985,000.00		(300,000.00)	9,685,000.00	330,000.00
Special Tax School Warrants, Series 2016	1,270,000.00		(195,000.00)	1,075,000.00	205,000.00
Sub-Total Bonds/Warrants Payable	24,165,444.21		(1,535,956.02)	22,629,488.19	1,610,111.35
Unamortized Amounts:					
Unamortized Premium	384,237.91		(78,489.24)	305,748.67	78,489.24
Unamortized Discount	(6,662.00)		1,998.61	(4,663.39)	(1,998.61)
Total Bonds/Warrants Payable	24,543,020.12		(1,612,446.65)	22,930,573.47	1,686,601.98
Other Liabilities:					
Capital Leases – Direct Borrowings	690,002.93		(220,789.38)	469,213.55	229,876.31
Secured Equipment Financing Agreement – Direct Borrowings	1,693,147.79		(154,973.47)	1,538,174.32	159,790.78
Net Pension Liability	36,672,000.00	2,681,000.00		39,353,000.00	
Net OPEB Liability	39,630,699.00		(20,713,437.00)	18,917,262.00	
Estimated Liability for Compensated Absences	175,675.41	56,929.36		232,604.77	
Total Other Liabilities	78,861,525.13	2,737,929.36	(21,089,199.85)	60,510,254.64	389,667.09
Total Governmental Activities Long-Term Liabilities	$103,404,545.25	$2,737,929.36	$(22,701,646.50)	$83,440,828.11	$2,076,269.07

Payments on the Series 2009, 2011, 2015-A, and 2016 are made by the Debt Service Fund with property taxes and sales taxes. Payments on the 2012-A Pool Refunding Bonds, 2015-B Capital Improvement Pool Refunding Bonds, and Qualified School Construction Bonds, Series 2009-D are made with Public School Funds withheld which are part of the Board's allocation from the Alabama Department of Education. Capital Lease and Secured Equipment Financing obligations are paid from the Board's Fleet Renewal allocation received from the Alabama Department of Education.

The compensated absences liability will be liquidated by the General Fund or the fund for which the employee worked. In the past, the majority has been paid by the General Fund.

The following is a schedule of debt service requirements to maturity:

	Capital Outlay Bonds, Series 2009-D QSCB		School Tax Refunding Warrants, Series 2009	
Fiscal Year Ending	Principal	Interest	Principal	Interest
September 30, 2021	$	$ 89,575.96	$ 430,000.00	$43,188.00
2022		89,575.96	450,000.00	26,685.00
2023		89,575.96	465,000.00	9,067.50
2024		89,575.96		
2025		89,575.96		
2026-2030	4,803,000.00	22,393.99		
2031-2035				
2036-2038				
Totals	$4,803,000.00	$470,273.79	$1,345,000.00	$78,940.50

	Special Tax School Warrants, Series 2015-A		Special Tax School Warrants, Series 2016	
Fiscal Year Ending	Principal	Interest	Principal	Interest
September 30, 2021	$ 330,000.00	$ 334,231.26	$ 205,000.00	$25,090.50
2022	355,000.00	323,956.26	210,000.00	19,737.00
2023	380,000.00	312,931.26	215,000.00	14,254.50
2024	700,000.00	296,731.26	220,000.00	8,643.00
2025	725,000.00	274,450.01	225,000.00	2,902.50
2026-2030	2,925,000.00	1,059,575.05		
2031-2035	3,315,000.00	536,075.05		
2036-2038	955,000.00	24,046.88		
Totals	$9,685,000.00	$3,161,997.03	$1,075,000.00	$70,627.50

PSCA Pooled Bonds, Series 2012-A		Capital Improvement PSCA Pool Refunding Bonds, Series 2015-B		School Tax Refunding Warrants, Series 2011	
Principal	Interest	Principal	Interest	Principal	Interest
$378,223.25	$37,598.66	$ 131,888.10	$ 65,477.52	$ 135,000.00	$ 135,081.25
397,764.06	18,199.02	138,506.72	58,883.12	140,000.00	131,125.00
101,395.07	5,720.02	145,609.63	51,957.78	145,000.00	126,487.50
106,171.75	1,592.55	152,873.97	44,677.30	150,000.00	121,325.00
		160,461.17	37,033.60	155,000.00	115,987.50
		613,594.47	63,876.14	865,000.00	482,875.00
				1,055,000.00	287,012.50
				750,000.00	51,525.00
$983,554.13	$63,110.25	$1,342,934.06	$321,905.46	$3,395,000.00	$1,451,418.75

Secured Equipment Financing 2018 – Direct Borrowings		Secured Equipment Financing 2019 – Direct Borrowings		Capital Leases – Direct Borrowings		Total Principal and Interest Requirements to Maturity
Principal	Interest	Principal	Interest	Principal	Interest	
$ 75,855.36	$17,073.18	$ 83,935.42	$ 31,458.54	$229,876.31	$19,311.20	$ 2,797,864.51
77,804.84	15,123.70	86,957.10	28,436.86	239,337.24	9,850.31	2,816,942.19
79,804.42	13,124.11	90,087.55	25,306.41			2,270,321.71
81,855.40	11,073.14	93,330.70	22,063.25			2,099,913.28
83,959.08	8,969.46	96,690.61	18,703.35			1,993,733.24
265,046.97	13,738.63	422,846.87	38,728.95			11,575,676.07
						5,193,087.55
						1,780,571.88
$664,326.07	$79,102.22	$873,848.25	$164,697.36	$469,213.55	$29,161.51	$30,528,110.43

Deferred Outflows on Refunding, Discounts and Premiums

The Board reports bond discounts and loss on early extinguishment of debt in connection with the issuance of its 2009 School Tax Refunding Warrants. The Board also reports warrant premiums of debt in connection with the issuance of its 2012-A Pool Refunding Bonds and its 2015-A Special Tax School Warrants. The discounts, premiums, and loss on early extinguishment of debt are being amortized using the straight-line method over the term of the related debt.

	Discounts	Deferred Outflows on Refunding	Premium
Total Deferred Outflows on Refunding, Discount and Premium	$ 27,980.50	$ 181,555.14	$ 906,955.07
Amount Amortized Prior Years	(21,318.50)	(138,327.68)	(522,717.16)
Balance Deferred Outflows on Refunding, Discount and Premium	6,662.00	43,227.46	384,237.91
Current Amount Amortized	(1,998.61)	(12,968.22)	(78,489.24)
Balance Deferred Outflows on Refunding, Discount and Premium	$ 4,663.39	$ 30,259.24	$ 305,748.67
Current Portion	$ 1,998.61	$ 12,968.22	$ 78,489.24
Long-Term Portion	$ 2,664.78	$ 17,291.02	$ 227,259.43

Pledged Revenues

The Board issued Series 2009 School Tax Refunding Warrants for the purpose of refunding the 1998 Capital Outlay Tax Anticipation Warrants. The Board pledged to repay the 2009 Warrants from the proceeds of a special tax levied by the Lawrence County Commission pursuant to the provisions of Act Number 80-123, Acts of Alabama. Future revenues of $1,423,940.50 are pledged to repay the principal and interest on the warrants at September 30, 2020. Proceeds of the special tax of approximately $1,074,044.78 were received by the Board during the fiscal year ended September 30, 2020, of which $483,582.50 was used to pay principal and interest on the warrants. The Series 2009 School Tax Refunding Warrants will mature in fiscal year 2023.

The Board issued Series 2011 School Tax Refunding Warrants for the purpose of refunding the 2002 Capital Outlay Tax Anticipation Warrants and to be used for additional capital projects. The Board pledged to repay the 2011 Warrants from the proceeds of the following ad valorem taxes and special excise, privilege or license taxes that are levied by the County (the "Special Taxes"): a supplemental 1-mill county-wide ad valorem tax, levied by the Lawrence County Commission pursuant to Amendment Number 778 of the ***Constitution of Alabama of 1901***, a one-cent special excise or privilege tax, levied by resolution of the Lawrence County Commission on June 10, 1991, pursuant to Section 40-12-4 of the ***Code of Alabama 1975***, as amended (the "40-12-4 Tax") and a special tax levied by the Lawrence County Commission pursuant to the provision of Act Number 80-123, Acts of Alabama. Future revenues of $4,846,418.75 are pledged to repay the principal and interest on the warrants at September 30, 2020. Proceeds of the special taxes of approximately $296,542.97, $2,148,089.59 and $1,074,044.78, respectively were received by the Board during the fiscal year ended September 30, 2020, of which none was used to pay principal and interest on the warrants. The Series 2011 Warrants will mature in 2038.

The Board issued Series 2015A Special Tax School Warrants to provide funds for various capital improvements including a new gymnasium and energy conservation improvements and the refinancing of a construction loan. The Board pledged to repay the 2015A Warrants from the proceeds of a one-cent special excise or privilege tax, levied by resolution of the Lawrence County Commission on June 19, 2015 pursuant to Section 40-12-4 of the ***Code of Alabama 1975***, as amended (the "40-12-4 Tax"). Future revenues of $12,846,997.03 are pledged to repay the principal and interest on the warrants at September 30, 2020. Proceeds of the special taxes of $2,148,089.59 were received by the Board during the fiscal year ended September 30, 2020, of which $643,681.26 was used to pay principal and interest on the warrants. The Series 2015A School Tax Warrants will mature in 2037.

The Board issued Series 2016 Special Tax School Warrants to provide funds to acquire and equip twenty-two school buses for use in the County. The Board pledged to repay the 2016 Warrants from the proceeds of the three (3) mill special district ad valorem tax levied by the Lawrence County Commission on all taxable property in the Districts, under Amendment Number 175 of the Constitution. Future revenues of $1,145,627.50 are pledged to repay the principal and interest on the warrants at September 30, 2020. Proceeds of the special tax of $718,982.65 was received by the Board during the fiscal year ended September 30, 2020, of which none was used to pay principal and interest on the warrants. The Series 2016 Special Tax School Warrants will mature in 2025.

The Board issued 2012-A Pool Refunding Bonds which are pledged to be repaid from their allocation of public school funds received from the State of Alabama. Future revenues in the amount of $1,046,664.38 are pledged to repay the principal and interest on the Series 2012-A bonds at September 30, 2020. Proceeds of the Public School Fund allocation totaled $1,299,221.00 for the year ended September 30, 2020, of which $416,261.60 was used to pay principal and interest on the warrants during the fiscal year ended September 30, 2020. The Series 2012-A debt will mature in fiscal year 2024.

The Board issued 2015-B Capital Improvement Pool Refunding Bonds which are pledged to be repaid from their allocation of public school funds received from the State of Alabama. Future revenues in the amount of $1,664,839.52 are pledged to repay the principal and interest on the Series 2015-B bonds at September 30, 2020. Proceeds of the Public School Fund allocation totaled $1,299,221.00 for the year ended September 30, 2020, of which $197,518.97 was used to pay principal and interest on the warrants during the fiscal year ended September 30, 2020. The Series 2015-B debt will mature in fiscal year 2029.

The Board issued Series 2009 Capital Improvement Qualified School Construction Bonds which are pledged to be repaid from their allocation of public school funds received from the State of Alabama. The proceeds are to be used for the acquisition, construction and renovation of school facilities. Future revenues in the amount of $5,273,273.79 are pledged to repay the principal and interest on the bonds at September 30, 2020. Proceeds of the Public School Fund Allocation totaled $1,299,221.00 for the year ended September 30, 2020, of which $89,575.96 was used to pay interest on the warrants. The Series 2009 bonds will mature in fiscal year 2026.

Note 11 – Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has insurance for its buildings and contents through the State Insurance Fund (SIF) part of the State of Alabama, Department of Finance, Division of Risk Management, which operates as a common risk management and insurance program for state owned properties and county boards of education. The Board pays an annual premium based on the amount of coverage requested. The SIF is self-insured up to $3.5 million per occurrence and purchases commercial insurance for claims in excess of $3.5 million. Wind related losses are covered under the SIF up to $20 million. Damage amounts that exceed $20 million are pursued via the State's excess carriers in the various layers of coverage up to the policy maximum of $1 billion. Automobile liability insurance and errors and omissions insurance is purchased from the Alabama Trust for Boards of Education (ATBE), a public entity risk pool. The ATBE collects the premiums and purchases excess insurance for any amount of coverage requested by pool participants in excess of the coverage provided by the pool. Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF), administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The Board contributes a specified amount monthly to the PEEHIF for each employee of state educational institutions. The Board's contribution is applied against the employees' premiums for the coverage selected and the employee pays any remaining premium.

Settled claims resulting from these risks have not exceeded the Board's coverage in any of the past three fiscal years.

The Board does not have insurance coverage of job-related injuries. Board employees who are injured while on the job are entitled to salary and fringe benefits of up to ninety working days in accordance with the ***Code of Alabama 1975***, Section 16-1-18.1(d). Any unreimbursed medical expenses and costs which the employee incurs as a result of an on-the-job injury may be filed for reimbursement with the State Board of Adjustment.

Note 12 – Interfund Transactions

Interfund Receivables and Payables

The interfund receivables and payables at September 30, 2020, were as follows:

	Interfund Receivable General Fund	Totals
Interfund Payable:		
Special Revenue Fund	$1,287,744.42	$1,287,744.42
Totals	$1,287,744.42	$1,287,744.42

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2020, were as follows:

	Transfers In			
	General Fund	Special Revenue Fund	Debt Service Fund	Total
Transfers Out:				
General Fund	$	$1,639,510.87	$1,127,263.76	$2,766,774.63
Special Revenue Fund	247,009.33			247,009.33
Totals	$247,009.33	$1,639,510.87	$1,127,263.76	$3,013,783.96

The Board typically used transfers to fund ongoing operating subsidies, to recoup certain expenditures paid on-behalf of the local schools, and to transfer the portion from the General Fund to the Debt Service Fund to service current-year debt requirements.

Note 13 – Subsequent Event

On November 3, 2020, the Board issued Special Tax School Warrants, Series 2020, in the amount of $12,195,000.00 for the purpose of (1) refunding, on a current basis, the Board's School Tax Refunding Warrants, Series 2009; (2) refunding, on a current basis, the Board's School Tax Warrants, Series 2011; (3) acquiring, constructing and equipping various public school capital improvements in the County; and (4) paying issuance expense. The Board has pledged to repay these warrants from the proceeds of a special tax authorized pursuant to Act Number 80-123, Acts of Alabama, and the proceeds of a special tax authorized pursuant to Section 40-12-4 of the ***Code of Alabama 1975***. These warrants will mature in fiscal year 2045.

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Required Supplementary Information

Schedule of the Employer's Proportionate Share of the Collective Net Pension Liability
For the Year Ended September 30, 2020
(Dollar amounts in thousands)

	2020	2019	2018	2017	2016	2015
Employer's proportion of the collective net pension liability	0.355915%	0.368838%	0.375253%	0.377613%	0.388858%	0.403040%
Employer's proportionate share of the collective net pension liability	$ 39,353	$ 36,672	$ 36,882	$ 40,880	$ 40,697	$ 36,614
Employer's covered payroll during the measurement period (*)	$ 25,331	$ 24,599	$ 24,754	$ 23,935	$ 24,577	$ 25,551
Employer's proportionate share of the collective net pension liability as a percentage of its covered payroll	155.36%	149.08%	148.99%	170.80%	165.59%	143.30%
Plan fiduciary net position as a percentage of the total collective pension liability	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

(*) Employer's covered payroll during the measurement period is the total covered payroll. (See GASB Statement Number 82.)
For fiscal year 2020, the measurement period is October 1, 2018 through September 30, 2019.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of the Employer's Pension Contributions
For the Year Ended September 30, 2020
(Dollar amounts in thousands)

	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 3,229	$ 3,097	$ 2,968	$ 2,937	$ 2,839	$ 2,869
Contributions in relation to the contractually required contribution	$ 3,229	$ 3,097	$ 2,968	$ 2,937	$ 2,839	$ 2,869
Contribution deficiency (excess)	$	$	$	$	$	$
Employer's covered payroll	$ 26,416	$ 25,331	$ 24,599	$ 24,754	$ 23,935	$ 24,577
Contributions as a percentage of covered payroll	12.22%	12.23%	12.07%	11.86%	11.86%	11.67%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of the Employer's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability Alabama Retired Education Employees' Health Care Trust For the Year Ended September 30, 2020 (Dollar amounts in thousands)

	2020	2019	2018
Employer's proportion of the collective net OPEB liability	0.501416%	0.482200%	0.473151%
Employer's proportionate share of the collective net OPEB liability	$ 18,917	$ 39,631	$ 35,143
Employer's covered-employee payroll during the measurement period (*)	$ 25,331	$ 24,599	$ 24,754
Employer's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	74.68%	161.11%	141.97%
Plan fiduciary net position as a percentage of the total collective OPEB liability	28.14%	14.81%	15.37%

(*) Employer's covered-employee payroll during the measurement period is the total covered payroll.
For fiscal year 2020, the measurement period is October 1, 2018 through September 30, 2019.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of the Employer's Contributions - Other Postemployment Benefits (OPEB)
Alabama Retired Education Employees' Health Care Trust
For the Year Ended September 30, 2020
(Dollar amounts in thousands)

	2020	2019	2018
Contractually required contribution	$ 874	$ 1,419	$ 1,187
Contributions in relation to the contractually required contribution	$ 874	$ 1,419	$ 1,187
Contribution deficiency (excess)	$	$	$
Employer's covered-employee payroll	$ 26,416	$ 25,331	$ 24,599
Contributions as a percentage of covered-employee payroll	3.31%	5.60%	4.83%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes in Actuarial Assumptions

In 2019, the anticipated rates of participation, spouse coverage, and tobacco use were adjusted to more closely reflect actual experience.

In 2016, rates of withdrawal, retirement, disability, mortality, spouse coverage, and tobacco usage were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 and later, the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using Scale BB and adjusted 105% for males and 120% for females.

Recent Plan Changes

Beginning in plan year 2021, the United Healthcare Medicare Advantage Plan with Prescription Drug Coverage (MAPD) plan premium rates exclude the Affordable Care Act (ACA) Health Insurer Fee which was repealed on December 20, 2019.

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the Medicare Advantage Plan with Prescription Drug Coverage (MAPD).

The Health Plan is changed each year to reflect the Affordable Care Act (ACA) maximum annual out-of-pocket amounts.

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the Schedule of Employer's Contributions-Other Postemployment Benefits (OPEB) are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Therefore, the actuarially determined employer contribution for fiscal year ending September 30, 2019, is determined based on the actuarial valuation as of September 30, 2016. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	25 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.875%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.75%
Medicare Eligible	5.00%
Ultimate Trend Rate:	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate Trend Rate	2022 for Pre-Medicare Eligible 2018 for Medicare Eligible
Investment Rate of Return	5.00%, including inflation

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2020

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis		Budget to GAAP Differences	Actual Amounts GAAP Basis
Revenues						
State	$ 31,465,223.00	$ 31,575,605.69	$ 32,668,148.76		$	$ 32,668,148.76
Federal	72,000.00	132,000.00	432,692.73			432,692.73
Local	8,229,895.00	8,193,895.00	8,866,765.14	(1)	(9,232.00)	8,857,533.14
Other	108,795.00	109,795.00	126,716.08			126,716.08
Total Revenues	39,875,913.00	40,011,295.69	42,094,322.71		(9,232.00)	42,085,090.71
Expenditures						
Current:						
Instruction	22,996,423.03	22,807,135.03	22,881,450.04	(2)	(147,124.19)	22,734,325.85
Instructional Support	6,451,310.40	6,575,675.09	6,732,284.83	(2)	19,146.58	6,751,431.41
Operation and Maintenance	3,727,429.00	4,061,050.00	3,839,097.53	(2)	9,702.50	3,848,800.03
Auxiliary Services:						
Student Transportation Services	3,799,965.00	3,806,965.00	3,382,042.15	(2)	(9,739.70)	3,372,302.45
Food Services	62,240.00	62,240.00	89,922.56			89,922.56
General Administrative and Central Support	1,309,252.00	1,354,252.00	1,273,417.31	(2)	7,787.57	1,281,204.88
Other	959,466.00	967,466.00	921,338.49	(2)	(6,881.51)	914,456.98
Capital Outlay	123,433.00	138,433.00	313,201.75			313,201.75
Total Expenditures	39,429,518.43	39,773,216.12	39,432,754.66		(127,108.75)	39,305,645.91
Excess (Deficiency) of Revenues Over Expenditures	446,394.57	238,079.57	2,661,568.05		117,876.75	2,779,444.80
Other Financing Sources (Uses)						
Indirect Cost	332,642.00	338,231.21	316,691.74			316,691.74
Transfers In	205,237.00	205,237.00	247,009.33			247,009.33
Other Financing Sources			46,913.28			46,913.28
Transfers Out	(2,936,547.13)	(2,936,547.13)	(2,766,774.63)			(2,766,774.63)
Total Other Financing Sources (Uses)	(2,398,668.13)	(2,393,078.92)	(2,156,160.28)			(2,156,160.28)
Net Changes in Fund Balances	(1,952,273.56)	(2,154,999.35)	505,407.77		117,876.75	623,284.52
Fund Balances - Beginning of Year	6,784,370.70	8,356,678.92	8,356,678.92	(3)	(3,643,549.62)	4,713,129.30
Fund Balances - End of Year	$ 4,832,097.14	$ 6,201,679.57	$ 8,862,086.69		$ (3,525,672.87)	$ 5,336,413.82

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2020

Explanation of differences between Actual Amounts on Budgetary Basis and Actual Amounts on GAAP Basis:

The Board budgets on the modified accrual basis of accounting except as shown below:

(1) Local taxes are not budgeted as revenue unless receivable in time to pay budgeted expenditures.	$	(9,232.00)
(2) The Board budgets for salaries and benefits only to the extent expected to be paid, rather than on the modified accrual basis.		(127,108.75)
Net Increase in Fund Balance - Budget to GAAP	$	117,876.75

(3) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Board's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Special Revenue Fund
For the Year Ended September 30, 2020

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis		Budget to GAAP Differences	Actual Amounts GAAP Basis
Revenues						
Federal	$ 6,062,045.00	$ 6,635,818.56	$ 7,122,532.87		$	$ 7,122,532.87
Local	2,914,065.44	2,914,065.44	2,422,692.90			2,422,692.90
Other	38,000.00	38,000.00	84,223.51			84,223.51
Total Revenues	9,014,110.44	9,587,884.00	9,629,449.28			9,629,449.28
Expenditures						
Current:						
Instruction	2,925,347.87	3,066,284.53	3,721,908.47			3,721,908.47
Instructional Support	1,665,724.75	1,762,780.93	1,741,457.56			1,741,457.56
Operation and Maintenance	251,723.00	251,723.00	384,167.84			384,167.84
Auxiliary Services:						
Student Transportation Services	60,158.55	85,158.55	45,892.77			45,892.77
Food Services	4,137,596.00	4,139,280.50	3,869,906.45	(1)	(29,041.69)	3,840,864.76
General Administrative and Central Support	367,203.45	372,792.66	433,389.82			433,389.82
Other	569,875.36	639,622.37	591,820.48			591,820.48
Capital Outlay	77,600.00	311,360.00	176,993.13			176,993.13
Total Expenditures	10,055,228.98	10,629,002.54	10,965,536.52		(29,041.69)	10,936,494.83
Excess (Deficiency) of Revenues Over Expenditures	(1,041,118.54)	(1,041,118.54)	(1,336,087.24)		29,041.69	(1,307,045.55)
Other Financing Sources (Uses)						
Transfers In	2,070,373.33	2,090,588.65	1,639,510.87			1,639,510.87
Sale of Capital Assets			1,390.00			1,390.00
Transfers Out	(466,326.96)	(486,542.28)	(247,009.33)			(247,009.33)
Total Other Financing Sources (Uses)	1,604,046.37	1,604,046.37	1,393,891.54			1,393,891.54
Net Changes in Fund Balances	562,927.83	562,927.83	57,804.30		29,041.69	86,845.99
Fund Balances - Beginning of Year	2,219,871.78	2,685,097.30	2,685,097.30	(2)	(213,600.51)	2,471,496.79
Fund Balances - End of Year	$ 2,782,799.61	$ 3,248,025.13	$ 2,742,901.60		$ (184,558.82)	$ 2,558,342.78

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Special Revenue Fund
For the Year Ended September 30, 2020

Explanation of differences between Actual Amounts on Budgetary Basis and Actual Amounts on GAAP Basis:

The Board budgets on the modified accrual basis of accounting except as shown below:

(1) The Board budgets for salaries and benefits only to the extent expected to be paid, rather than on the modified accrual basis.	$	29,041.69
Net Increase in Fund Balance - Budget to GAAP	$	29,041.69

(2) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Board's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.

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Supplementary Information

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Total Federal Expenditures
U. S. Department of Education			
Direct Program			
Indian Education - Grants to Local Educational Agencies	84.060	N.A.	$ 244,914.84
U. S. Department of Education			
Passed Through Alabama Department of Education			
Title I Grants to Local Educational Agencies	84.010	N.A.	1,432,025.60
Title I State Agency Program for Neglected and Delinquent Children and Youth Children and Youth	84.013	N.A.	58,904.58
Special Education Cluster:			
Special Education - Grants to States	84.027	N.A.	1,182,529.00
Special Education- Preschool Grants	84.173	N.A.	50,664.00
Sub-Total Special Education Cluster			1,233,193.00
Career and Technical Education - Basic Grants to States	84.048	N.A.	79,869.32
Education for Homeless Children and Youth	84.196	N.A.	11,089.63
Twenty-First Century Community Learning Centers	84.287	N.A.	20,710.35
Rural Education	84.358	N.A.	82,531.24
Supporting Effective Instruction State Grants	84.367	N.A.	200,297.26
Student Support and Academic Enrichment Program	84.424	N.A.	119,424.32
COVID-19 Education Stabilization Fund:			
COVID-19 Governor's Emergency Education Relief Fund	84.425C	N.A.	241,955.45
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	N.A.	309,208.44
Sub-Total COVID-19 Education Stabilization Fund			551,163.89
Total U. S. Department of Education			4,034,124.03
U. S. Department of Agriculture			
Passed Through Alabama Department of Education			
Child Nutrition Cluster:			
National School Lunch Program:			
Cash Assistance	10.555	N.A.	1,362,080.98
Non-Cash Assistance (Commodities)	10.555	N.A.	218,557.20
National School Lunch Program Sub-Total			1,580,638.18
School Breakfast Program - Cash Assistance	10.553	N.A.	749,404.31
Sub-Total Child Nutrition Cluster			2,330,042.49
State Administrative Expenses for Child Nutrition	10.560	N.A.	8,567.70
Child Nutrition Discretionary Grants Limited Availability	10.579	N.A.	54,660.00
Passed Through Lawrence County Commission			
Schools and Roads - Grants to States	10.665	N.A.	161,892.91
Total U. S. Department of Agriculture			2,555,163.10
Sub-Total Forward			$ 6,589,287.13

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Total Federal Expenditures
Sub-Total Brought Forward			$ 6,589,287.13
U. S. Department of the Treasury			
Passed Through Alabama Department of Education			
COVID-19 Coronavirus Relief Fund	21.019	N.A.	715,223.04
Social Security Administration			
Passed Through Alabama Department of Education			
Social Security - Disability Insurance	96.001	N.A.	1,180.00
Appalachian Regional Commission			
Direct Program			
Appalachian Area Development	23.002	N.A.	194,310.62
Other Federal Assistance			
U. S. Department of Defense			
Direct Program			
Army ROTC	N.A.	N.A.	55,224.81
Total Expenditures of Federal Awards			$ 7,555,225.60

N.A. = Not Applicable or Not Available

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Lawrence County Board of Education under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*** (*Uniform Guidance*). Because the Schedule presents only a selected portion of the operations of the Lawrence County Board of Education, it is not intended to and does not present the financial position or changes in net position of the Lawrence County Board of Education.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance* wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Lawrence County Board of Education did not elect to use the 10-percent de minimis indirect cost rate as allowed in the *Uniform Guidance*.

Additional Information

Board Members and Administrative Personnel

October 1, 2019 through September 30, 2020

Board Members		**Term Expires**
Hon. Christine Garner	Member	November 2022
Hon. Gary Bradford	Member	November 2024
Hon. Beth Vinson	Member	November 2020
Hon. Shanon Terry	Member	November 2022
Hon. Reta Waldrep	Member	November 2024
Administrative Personnel		
Mr. Jon Bret Smith	Superintendent	December 2024
Ms. Suzy Berryman	Chief School Financial Officer	Indefinite

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditor's Report

Members of the Lawrence County Board of Education,
Superintendent and Chief School Financial Officer
Moulton, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lawrence County Board of Education, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Lawrence County Board of Education's basic financial statements, and have issued our report thereon dated August 2, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Lawrence County Board of Education's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lawrence County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lawrence County Board of Education's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lawrence County Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rachel Laurie Riddle

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

August 2, 2021

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

Members of the Lawrence County Board of Education,
Superintendent and Chief School Financial Officer
Moulton, Alabama

Report on Compliance for Each Major Federal Program

We have audited the Lawrence County Board of Education's compliance with the types of compliance requirements described in the ***OMB Compliance Supplement*** that could have a direct and material effect on the Lawrence County Board of Education's major federal programs for the year ended September 30, 2020. The Lawrence County Board of Education's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with each of the Lawrence County Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States; and Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*** *(Uniform Guidance)*. Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Lawrence County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Lawrence County Board of Education's compliance.

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Opinion on Each Major Federal Program

In our opinion, the Lawrence County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

Report on Internal Control Over Compliance

Management of the Lawrence County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Lawrence County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Lawrence County Board of Education's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The purpose of this report on internal control over compliance is solely to describe the scope of our testing on internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.

Rachel Laurie Riddle

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

August 2, 2021

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

Section I – Summary of Examiner's Results

Financial Statements

Type of report the auditor issued on whether the audited financial statements were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	______ Yes	__X__ No
Significant deficiency(ies) identified?	______ Yes	__X__ None reported
Noncompliance material to financial statements noted?	______ Yes	__X__ No

Federal Awards

Internal control over major federal programs:		
Material weakness(es) identified?	______ Yes	__X__ No
Significant deficiency(ies) identified?	______ Yes	__X__ None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the *Uniform Guidance*?	______ Yes	__X__ No

Identification of major federal programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553 and 10.555	Child Nutrition Cluster
84.027 and 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000.00	
Auditee qualified as low-risk auditee?	______ Yes	__X__ No

Section II – Financial Statement Findings (GAGAS)

No matters were reportable.

Section III – Federal Awards Findings and Questioned Costs

No matters were reportable.